LLOYD'S

Aggregate Accounts 2022

Sharing risk to create a braver world

Aggregate Accounts 2022

Contents

At a Glance

Our Performance: Financial key performance indicators

Gross written premium
£48.6bn
2021: £40.9bn

Profit before tax
£469m
2021: £1,737m

Combined ratio
93.6%
2021: 94.3%

Expense ratio
35.0%
2021: 36.0%

Underwriting result
£2,151m
2021: £1,592m

Investment return
£(1,595)m
2021: £133m

Market-wide solvency coverage ratio
181%
2021: 177%

Read more about our performance in the 'Market Performance' section. The above metrics include alternative performance measures; see page 167 of the 2022 Lloyd's Annual Report for definitions.

Our purpose

Everything we do at Lloyd's is underpinned by one unifying purpose: sharing risk to create a braver world. Our purpose speaks to the aspiration and impact of the market and our collective ability to find solutions to the world's most challenging problems.

Our strategic priorities at a glance

We will continue to focus on Lloyd's four strategic priorities, delivering value for our stakeholders in a complex and changing world.

Our four strategic priorities are:

Performance

In 2022, the Lloyd's market reported a strong underwriting result of £2,151m (2021: £1,592m), with a combined ratio of 93.6% (2021: 94.3%). The market is well capitalised with the market-wide solvency coverage ratio increasing to 181% (2021: 177%), though rising interest rates in 2022 led to significant valuation losses across the portfolio, resulting in net investment losses of £(1,595)m before tax (2021: profit of £133m). The valuation losses on our bond portfolio have no cash flow impact and will reverse out over the next two-to-three years as the assets reach maturity. Lloyd's strong performance has been driven by our continued focus on portfolio management action, demonstrated by a 1.6 % reduction in the attritional loss ratio (49.4% in 2021 reducing to 47.8% in 2022). Our focus on sustainable, profitable performance will continue throughout 2023, supported by our principles-based oversight framework and a differentiated approach to syndicate business planning.

Digitalisation

Together with market participants, associations and vendors, we are delivering a modern, efficient and data-driven marketplace through the development and adoption of new technologies and process improvements outlined in Blueprint Two. The London Market Joint Venture (a partnership between DXC Technology, the International Underwriting Association and Lloyd's) completed its first build sequences in 2022, and the LMG Data Council has been instrumental in developing the tools to capture and manage accurate and consistent data for market participants. Delegated authority solutions are also being improved to enable faster validation and payment of claims to policyholders – a key goal in our journey to a better, faster and cheaper market.

Purpose

Lloyd's purpose of sharing risk for a braver world sits at the heart of our ambition to build a more sustainable, resilient and inclusive marketplace and society. Lloyd's delivered a number of initiatives to advance our sustainability strategy in 2022. These included continuing to convene His Majesty The King's Sustainable Markets Initiative Insurance Task Force, bringing together leaders across our industry to actively support and enable decarbonisation, transition and climate innovation across the global economy. To help alleviate global food insecurity, our market worked with the UN to enable the transportation of millions of tonnes of Ukrainian grain; and Lloyd's Futureset released two flagship reports on the impact of the Ukraine conflict across areas including climate change, the energy transition, supply chains, food security and cyber.

Culture

We developed and implemented a new strategy for culture at Lloyd's, successfully delivering our year one priorities. Our market made progress in building a diverse and inclusive culture, with 35% of firms achieving or exceeding our 35% women in leadership target and 17% of market firms achieving the one in three ethnic minority hiring ambition. 2022 also saw the Corporation achieve Gold Status on the Clear Assured Accreditation standard, demonstrating how we have embedded diversity and inclusion into our policies and practices.

Market Performance

Market results

The Lloyd's market reported an overall profit of £469m in 2022 (2021: £1,737m) with a combined ratio of 93.6% (2021: 94.3%). The underwriting result is a profit of £2,151m (2021: profit of £1,592m), reflecting improved managing agent underwriting discipline and the benefit of the favourable pricing environment. The favourable underwriting result was dampened by the valuation losses on investments of £1,595m (2021: net investment income of £133m), driven by the turbulence experienced in the financial markets in 2022, with other expenses partially offset by the benefit of foreign exchange gains (2022: £(87)m; 2021: £12m).

Underwriting result

Market gross written premium grew 18.9% year-on-year to £48,624m.

The market continued to see risk adjusted rate increases on renewal business across most classes, with the 20th consecutive quarter of positive rate movement being reported in the fourth quarter of 2022. Risk adjusted rate change accounted for 7.5% of premium growth. The remaining growth in gross written premium is attributable to 7.8% foreign exchange movement and 3.6% volume growth.

As in previous years, syndicates which have a proven track record of producing sustainable profit are given greater business plan flexibility, including to grow their business. The underwriting result rose 35.1% year-on-year to £2,151m driven by the continued realisation of benefits from the market's strong underwriting action and positive rating environment.

The combined ratio of 93.6% represents a 0.7% improvement when compared with prior year. Prior year releases benefited the combined ratio by 1.5% (2021: 2.0%), with releases reported across most lines of business, except for specialty reinsurance and casualty.

The underwriting result includes the impact of major claims which represented 12.3% of the combined ratio, a small increase from 10.9% in 2021. Hurricane Ian was the costliest weather event of the year and one of the key drivers of major claims alongside the conflict in Ukraine.

Improvement to the underlying combined ratio was driven by reductions to the attritional loss and expense ratios of 1.6% and 1.0% respectively. The attritional loss ratio of 47.8% reflects the market's continued action to drive sustainable profitable performance as well as the benefit of risk adjusted rate increases across most lines.

The improvement in the expense ratio, which has reduced to 35.0% from 36.0%, was driven by a 0.5 percentage point improvement in the acquisition cost ratio and a 0.5 percentage point improvement in the admin expense ratio. The improvement in the operating expense ratio was largely driven by foreign exchange gains favourably affecting premiums.

Investment review

The market reported net investment losses of £1,595m in 2022, representing an investment loss of 3.2% (2021: £133m gain, return of 0.3%).

2022 was an exceptionally turbulent year for risk assets, driven by rising interest rates, as Central Banks have taken action to contain the increasing levels of inflation caused by supply chain disruption, the war in Ukraine and political uncertainty. The US Federal Reserve raised rates by 425 basis points over the course of the year to 4.5%, at times at a pace of 75 basis points. The Bank of England, which actually started increasing rates at the tail end of 2021, raised rates by 325 basis points to close the year at 3.5%. The pace of rate increases caused a major re-pricing across all asset classes. Assets from investment grade fixed income bonds to equity markets generated significant negative total returns, with long-duration assets the most affected. Specific to the United Kingdom, there was extreme volatility in the pounds sterling and UK Gilts over September as a result of the Government's 'fiscal event'.

Despite a turbulent 2022 the higher interest rate environment has created significant opportunities for the Lloyd's market looking forward to 2023, given the majority of the market portfolio is invested in short-duration government bonds, high-quality corporate bonds and cash that are expected to generate a higher return.

Balance sheet strength

The Lloyd's market continues to be strongly capitalised and the Lloyd's market solvency has strengthened since 31 December 2021.

The market wide solvency ratio has increased from 177% at 31 December 2021 to 181% at 31 December 2022. This is driven by increases in member balances, primarily as a result of the discounting benefit, and Funds at Lloyd's as a result of exposure changes. The positive movements are driven by growth, increased economic inflation uncertainty and a weakening of the sterling against US dollars during 2022. These changes are partially offset by an increase in interest rates and increased profitability of business. The change in inflation uncertainty is captured within market risk, which has increased significantly since 31 December 2021.

2022 Performance

Premium

Gross written premium for the year have increased by 18.9% to £48,624m (2021: £40,879m), attributable to 7.8% foreign exchange movement, 7.5% of price changes and 3.6% volume growth.

Casualty and property were the largest drivers of premium growth in the market, growing £3,114m and £2,695m respectively. All business lines experienced growth during 2022.

US dollar denominated business continues to account for the majority of business written in the Lloyd's market. Strengthening of US dollar to sterling average rates of exchange has led to comparative increases in premiums year-on-year.

Accident year ratio

The accident year ratio[2] excluding major claims has continued to improve, reducing to 82.8% (2021: 85.4%). Within this there has been a significant improvement in the attritional loss ratio and expense ratio. Prior year movements have had a slightly better impact on the results than in 2021.

Attritional loss ratio[2]: the attritional loss ratio continued to improve in 2022, reducing to 47.8% (2021: 49.4%). Improvements to the attritional loss ratio continue to be driven by the sustained positive rate environment and emphasis on underwriting discipline across the market. The improvement in the loss ratio continued despite the market reserving 2.9% for inflation in addition to any implicit allowance included in reserving methodologies.

Prior year development: 2022 was the 17th consecutive year of prior year releases. The current year result has seen more benefit from prior year releases[2] at 1.5% of net earned premium (2021: 2.0%). There have been releases against all lines of business other than specialty reinsurance and casualty.

Lloyd's will continue to monitor reserves closely and act to ensure that adequate market discipline is being maintained in current challenging market conditions. Particularly on the longer-tailed lines, such as casualty, where there has been continued focus in recent years exacerbated by growing concerns over areas such as social inflation.

Major claims

Major claims for the market were £4,114m in 2022 (2021: £2,989m), net of reinsurance and including reinstatements payable and receivable.

Major claims for 2022 include natural catastrophe losses such as Hurricane Ian, Hurricane Fiona and Australian Floods, as well as non-natural catastrophe losses such as those arising from the conflict in Ukraine.

Hurricane Ian and the conflict in Ukraine both remain manageable events for the market. Hurricane Ian was a 1 in 10 event on a gross basis and 1 in 7 net when compared to Lloyd's modelled outcomes. Losses from Ukraine continue to develop and the claims incurred but not reported (IBNR) component represents greater than 90% of the loss.

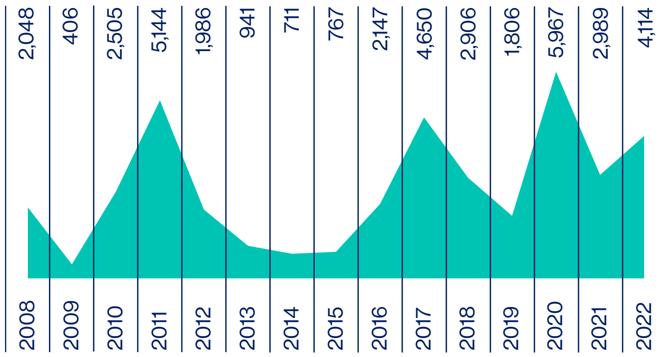
Major claims and accident year ratio excluding major claims

Major claims	% of net earned premium
2018	11.1
2019	6.8
2020	23.0
2021	10.9
2022	**12.3**
Five year average[1]	10.2
Ten year average[1]	9.3

Accident year ratio excl. major claims	%
2018	98.8
2019	97.8
2020	90.7
2021	85.4
2022	**82.8**
Five year average[1]	91.9
Ten year average[1]	93.3

1. Averages exclude the impact of COVID-19.
2. The accident year ratio, underlying combined ratio, attritional loss ratio, prior year release ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results. These metrics (wherever used in the Aggregate Accounts) are Alternative Performance Measures (APMs), with further information available in the 2022 Lloyd's Annual Report (pages 167 and 168).

Lloyd's major losses: net ultimate claims (£m)



Five-year average: £3,909m; 15 year average: £2,955m. Indexed for inflation to 2022. Claims in foreign currency translated at the exchange rates prevailing at the date of loss.

Prior year reserve movement	% of net earned premium
2018	(3.9)
2019	(0.9)
2020	(1.8)
2021	(2.0)
2022	**(1.5)**

Years of account in run-off	Number of years
2018	0
2019	3
2020	9
2021	9
2022	**9**

Reinsurance protection

The credit quality of the Lloyd's market's reinsurance protections remains extremely high, with over 98% (2021: 98%) of all balance sheet reinsurance recoverables and reinsurance premium ceded being with reinsurers rated A- and above or supported by high-quality collateral assets.

Reinsurers' share of claims outstanding remains a material consideration for Lloyd's, equivalent to 63.1% of gross written premium (2021: 61.6%). There has been an increase in the overall reinsurance recoverables primarily due to catastrophe losses experienced during 2022 and the continuing use of retrospective reinsurance protections. This increase reflects the reinsurance risk transfer strategy of the Lloyd's market, the nature of loss events experienced during 2022 and risk mitigation actions being taken to assist in the management of legacy exposures. No negative settlement trends have been witnessed to date.

Lloyd's outward reinsurance premium spend for the 2022 calendar year was 27.1% (2021: 28.3%) of gross written premium, which reflects a relatively stable overall position in regard to the scale of reinsurance purchased. This level of reinsurance transfer remains within risk appetite.

Result for the closed year and run-off years of account

Under Lloyd's three-year accounting policy for final distribution of each underwriting year of account, the 2020 underwriting year of account reached closure at 31 December 2022. The 2020 pure underwriting year suffered losses from COVID-19 as well as a number of catastrophic events, including Hurricane Laura and Hurricane Sally.

Despite these major claims events, the 2020 pure underwriting year of account reported an underwriting result that was boosted by the addition of releases from 2019 and prior years, which were reinsured to close at the end of 2021. These releases amounted to £816m. The underwriting result was partially offset by investment losses on the 2020 underwriting year, which meant the total result was an overall profit of £290m (2019 underwriting year loss: £953m).

At the beginning of 2022, there were nine syndicates whose 2017, 2018 and 2019 underwriting years remained open. These run-off years reported an aggregate loss of £15m, including investment return in 2022 (2021: loss of £100m). There were seven syndicates whose 2017/2018/2019 underwriting years remained open post 31 December 2022. The total number of open underwriting years at 1 January 2023 is nine.

The results of the major lines of business are discussed in detail in the Market Highlights section of 2022 Lloyd's Annual Report (pages 25 to 30).

Council

The following were members of the Council of Lloyd's during 2022:

Bruce Carnegie-Brown	**Karen Green**
John Neal	**Dominick Hoare**
Burkhard Keese	**Fiona Luck**
Andrew Brooks	**Neil Maidment**
Victoria Carter	**Lord Mark Sedwill**
Dominic Christian (resigned 31 January 2023)	**Patrick Tiernan**
Angela Crawford-Ingle	**Nameco (No 1249) Limited** (represented by Jeffery Barratt)
Flectat Limited (represented by Michael Watson)	**John Sununu**

Statement as to disclosure of information to auditors

Having made enquiries of fellow Council members and of the Society's auditors, the Council of Lloyd's confirms that:

– To the best of each Council member's knowledge and belief there is no information relevant to the preparation of the Aggregate Accounts of which the auditors are unaware;

– Each Council member has taken all the steps they might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditors are aware of that information.

Statement of Council's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2018 ('the Regulations') require the Council of Lloyd's to prepare Aggregate Accounts in respect of the financial year by totalling all the syndicate annual accounts prepared in accordance with Part 3 of the Regulations.

The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Report

The Annual Report required under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, comprising the At a Glance, Market Performance and Council sections on pages 2 to 6, was approved by the Council of Lloyd's on 22 March 2023.

Bruce Carnegie-Brown
Chairman

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's on the preparation of the 2022 Lloyd's Aggregate Accounts

Opinion

In our opinion:

– the Aggregate Accounts for the financial year ended 31 December 2022 have, in all material respects, been properly prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017 (together the 'Regulations') and the basis set out in note 1, and have been correctly aggregated; and

– the information given in the Annual Report of the Council of Lloyd's (as defined in the Regulations and set out on pages 2 to 6) for the financial year ended 31 December 2022 is, in all material respects, consistent with the Aggregate Accounts for the same financial year and has been prepared in accordance with the requirements of the Regulations.

In addition, in light of the knowledge and understanding of the syndicates and their environment obtained in the course of performing our assurance procedures, we are required to report if we have identified material misstatements in the Annual Report of the Council of Lloyd's prior to the date of this assurance report. We have nothing to report in this respect.

Our opinion is to be read in the context of what we say in the remainder of this report.

What we have assured

The Aggregate Accounts, which are prepared by the Council of Lloyd's, comprise: the aggregate balance sheet as at 31 December 2022; the aggregate profit and loss account, the aggregate statement of comprehensive income, the aggregate statement of changes in members' balances and the aggregate statement of cash flows for the year then ended; and the notes to the Aggregate Accounts.

The financial reporting framework that has been applied in their preparation is the Regulations and the basis set out in note 1 (the "basis of preparation").

Our assurance does not extend to information in respect of earlier periods.

What a reasonable assurance engagement involves

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board.

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The Aggregate Accounts have been compiled from an aggregate of financial information extracted from the corresponding information included in the syndicate annual returns and accounts by the managing agent of each syndicate, which have been submitted to the Council of Lloyd's and on which the auditors of each syndicate have reported. Our work did not involve assessing the quality of those audits or performing any audit procedures over the financial or other information of the syndicates or provided by the managing agents of the syndicates.

Our examination of the preparation of the Aggregate Accounts consisted principally of:

– obtaining an understanding of how the Council of Lloyd's has compiled the Aggregate Accounts from the audited syndicate annual returns and accounts;

– checking on a sample basis that the financial information included in the Aggregate Accounts was correctly extracted from the syndicate annual returns and accounts and evaluating the evidence supporting any adjustments made;

– obtaining evidence as to how the Council of Lloyd's has ensured that the Aggregate Accounts have been prepared in accordance with the requirements of the Regulations; and

– reading the Annual Report, on pages 2 to 6, for consistency with the Aggregate Accounts.

In addition we obtained an understanding of how the Council of Lloyd's ensured that the Annual Report and the Aggregate Accounts are prepared in accordance with the Regulations and how they ensured the consistency of the Annual Report with the Aggregate Accounts.

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's continued

The responsibilities of the Council of Lloyd's and our responsibilities

As described in the Statement of Council's Responsibilities, the Council of Lloyd's is responsible for the preparation and approval of the Aggregate Accounts and the Annual Report in accordance with the Regulations and the basis of preparation, and for ensuring that the Annual Report is consistent with the Aggregate Accounts for the same financial year.

Our responsibility is to examine the preparation of the Aggregate Accounts and to report whether the Aggregate Accounts have been properly prepared and correctly aggregated in accordance with the Regulations and the basis of preparation. We also report to you whether the information given in the Annual Report of the Council of Lloyd's is, in all material respects, consistent with the Aggregate Accounts for the same financial year and has been prepared in accordance with the requirements of the Regulations.

We read the Annual Report and consider whether it is consistent with the Aggregate Accounts. We consider the implications for our report if we become aware of any misstatements or material inconsistencies with the Aggregate Accounts.

This report is made solely to the Council of Lloyd's in accordance with the Regulations and our letter of engagement dated 6 September 2022. Our work has been undertaken so that we might state to the Council of Lloyd's those matters which we are required to state in this report in accordance with the Regulations and for no other purpose. To the fullest extent permitted by law we do not, in giving our opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Other required reporting

Under the Regulations, we are required to report if we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of this independent reasonable assurance report. We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London

22 March 2023

Aggregate Profit and Loss Account

(For the year ended 31 December 2022)

	Note	2022 £m	2022 £m	2021 (Restated) £m	2021 (Restated) £m
Technical account					
Gross written premiums	4	48,624		40,879	
Outward reinsurance premiums		(13,184)		(11,567)	
Written premiums, net of reinsurance			35,440		29,312
Change in the gross provision for unearned premiums		(2,528)		(2,280)	
Change in the provision for unearned premiums, reinsurers' share		408		465	
			(2,120)		(1,815)
Earned premiums, net of reinsurance			33,320		27,497
Allocated investment return transferred from the non–technical account			(1,429)		68
Other technical income, net of reinsurance			21		26
			31,912		27,591
Claims paid					
Gross amount		22,005		20,423	
Reinsurers' share		(7,770)		(7,161)	
			14,235		13,262
Change in provision for claims					
Gross amount		8,710		4,061	
Reinsurers' share		(3,429)		(1,319)	
			5,281		2,742
Claims incurred, net of reinsurance			19,516		16,004
Net operating expenses	7		11,674		9,927
Balance on the technical account for general business			**722**		1,660
Non–technical account					
Balance on the technical account for general business			722		1,660
Investment income	8	936		667	
Investment expenses	8	(453)		(135)	
Unrealised losses on investment	8	(2,078)		(399)	
Investment return	8		(1,595)		133
Allocated investment return transferred to the technical account			1,429		(68)
Investment return retained in non-technical account			(166)		65
Foreign exchange (losses)/gains			(83)		15
Other expenses			(4)		(3)
Result for the financial year before tax			**469**		1,737

All operations relate to continuing activities.

Aggregate Statement of Comprehensive Income

(For the year ended 31 December 2022)

	2022 £m	2021 (Restated) £m
Other comprehensive income:		
Result for the financial year before tax	469	1,737
Currency translation differences	240	5
Other recognised losses per syndicate annual accounts	(46)	(14)
Total comprehensive income for the year	**663**	**1,728**

Aggregate Statement of Changes in Members' Balances

(For the year ended 31 December 2022)

	2022 £m	2021 (Restated) £m
Members' balances brought forward at 1 January	2,277	(270)
Profit for the financial year	469	1,737
Net losses collected from members' personal reserve	360	2,109
Capital transferred out of syndicate premium trust funds	(298)	(1,296)
Exchange gains	273	32
Other movements	(68)	(35)
Members' balances carried forward at 31 December	**3,013**	2,277

Aggregate Balance Sheet

(As at 31 December 2022)

	Note	2022 £m	2022 £m	2021 (Restated) £m	2021 (Restated) £m
Financial investments	9		50,348		42,054
Deposits with ceding undertakings			1,099		959
Reinsurers' share of technical provisions					
Unearned premiums	12	5,243		4,386	
Claims outstanding	12	30,658		25,166	
			35,901		29,552
Debtors					
Debtors arising out of direct insurance operations	10	12,603		10,497	
Debtors arising out of reinsurance operations	11	12,066		9,709	
Other debtors		1,461		1,175	
			26,130		21,381
Other assets					
Cash at bank and in hand	16	3,461		2,981	
Other		3,626		3,336	
			7,087		6,317
Prepayments and accrued income					
Accrued interest and rent		154		99	
Deferred acquisition costs	12	5,438		4,564	
Other prepayments and accrued income		202		158	
			5,794		4,821
Total assets			**126,359**		105,084
Capital and reserves					
Members' balances			3,013		2,277
Technical provisions					
Provision for unearned premiums	12	23,624		19,373	
Claims outstanding	12	81,889		68,467	
			105,513		87,840
Deposits received from reinsurers			1,545		1,734
Creditors					
Creditors arising out of direct insurance operations	14	1,016		817	
Creditors arising out of reinsurance operations	15	11,267		8,888	
Other creditors		2,731		2,499	
			15,014		12,204
Accruals and deferred income			1,274		1,029
Total capital, reserves and liabilities			**126,359**		105,084

Approved by the Council of Lloyd's on 22 March 2023 and signed on its behalf by

Bruce Carnegie-Brown
Chairman

John Neal
Chief Executive Officer

Aggregate Statement of Cash Flows

(For the year ended 31 December 2022)

	Note	**2022 £m**	2021 (Restated) £m
Profit before tax		469	1,737
Increase in gross technical provisions		14,655	5,493
Increase in reinsurers' share of technical provisions		(5,334)	(3,526)
Increase in debtors		(4,280)	(1,996)
Increase in creditors		2,072	700
Movement in other assets/liabilities		(569)	77
Investment return	8	1,595	(133)
Foreign exchange		(1,076)	24
Other		11	(6)
Net cash inflows from operating activities		**7,543**	2,370
Investing activities			
Purchase of equity and debt instruments		(43,036)	(36,866)
Proceeds from sale of equity and debt instruments		35,391	33,241
Purchase of derivatives		(345)	(455)
Proceeds from sale of derivatives		268	427
Investment income received		691	582
Other		(241)	(209)
Net cash outflow from investing activities		**(7,272)**	(3,280)
Financing activities			
Net funds received from members		360	2,109
Net capital transferred out of syndicate premium trust funds		(298)	(1,296)
Other		(132)	(4)
Net cash (outflow)/inflow from financing activities		**(70)**	809
Net increase/(decrease) in cash and cash equivalents		**201**	(101)
Cash and cash equivalents at 1 January		4,441	4,543
Exchange differences on opening cash and cash equivalents		311	(1)
Cash and cash equivalents at 31 December	16	**4,953**	4,441

Notes to the Aggregate Accounts

(For the year ended 31 December 2022)

1. Basis of preparation

Basis of reporting

The Aggregate Accounts as at 31 December 2022 have been prepared by totalling the annual accounts of the syndicates reporting as at 31 December 2022. This includes reporting of the audited results for calendar year 2022 and the financial position at 31 December 2022 for all life and non-life syndicates that transacted business during the year. The results and net assets for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 4).

Having assessed the principal risks, the Council considered it appropriate to adopt the going concern basis of accounting in preparing the Aggregate Accounts.

The Aggregate Accounts have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, and where practicable in accordance with United Kingdom Accounting Standards, including FRS 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), and FRS 103 'Insurance Contracts', except for the following items:

– Aggregation;
– Taxation;
– Related party transactions; and
– Restatements.

(a) Aggregation

The Aggregate Accounts have not been prepared in accordance with full consolidation principles and do not present a consolidated view of the results of the Lloyd's business taken as a single entity, due to some of the reasons outlined further below.

The syndicates' financial information included in the Aggregate Accounts has been prepared in accordance with the recognition and measurement requirements of FRS 102 and FRS 103 by reference to the accounting policies that are deemed most appropriate by the managing agents. Where different accounting policies have been selected by managing agents in preparing syndicate annual accounts, no adjustments are made to align the bases of recognition and measurement in the Aggregate Accounts. In addition, no adjustments are made to eliminate inter-syndicate transactions and balances.

(b) Taxation

The Aggregate Accounts report the combined syndicates' result before tax. Members are responsible for tax payable on their syndicate results.

(c) Related party transactions

Individual syndicates or their members do not disclose details of insurance and/or reinsurance transactions with other (non-related) syndicates or members within the market. Therefore, analysis and/or disclosure of these transactions within the Lloyd's market in the Aggregate Accounts is not possible. The annual accounts of each syndicate or member provide, where appropriate, the required disclosures on related parties.

(d) Restatement of prior year

During 2022, a number of syndicates made restatements to the comparative figures for 2021 within their annual accounts and the Aggregate Accounts have been restated accordingly. The restatements improved the original reported profit of £1,719m by £18m and increased the original members' balances of £2,262m by £15m.

The full financial effect of the restatements and the nature of those restatements have not been disclosed as required by FRS 102 as it is not practicable to provide additional details in respect of the nature of these restatements.

2. Accounting policies

General

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, managing agents must prepare the syndicate annual accounts under FRS 102. However, where FRS 102 permits different accounting treatments, each managing agent is able to adopt the accounting policies it considers most appropriate to its syndicate. The following are, therefore, an overview of the sources of significant accounting judgements and estimation uncertainty and other accounting policies of all syndicates.

Sources of significant accounting judgements and estimation uncertainty

The preparation of the individual annual accounts of the syndicates requires managing agents to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Aggregate Accounts are described in the following accounting policies:

– Claims provisions and related recoveries are the most significant accounting estimate in preparing the Aggregate Accounts, in particular for claims incurred but not reported (IBNR). Variances between the estimated and actual cost of settling claims incurred impact change in provision for claims, gross and reinsurers' share, and the balance on the technical account for general insurance. Total gross outstanding claims at 31 December 2022 is £81,889m (2021 (restated): £68,467m). The total estimate as at 31 December 2022, net of reinsurers' share, is £51,231m (2021 (restated): £43,301m) and is included within the aggregate balance sheet (see accounting policy in note 2 and note 12 (c);
– Estimated premium income, in particular estimates for premiums written under delegated authority agreements, is a significant estimate. Variances between the estimated premium income and actual received impact gross written premiums and provisions for unearned premium (see below and note 4);

2. Accounting policies continued

Sources of significant accounting judgements and estimation uncertainty continued

- Valuation of investments requires a degree of estimation, in particular for valuations based on models and inputs other than those observable in the market ('level 3' of the fair value hierarchy). The estimation uncertainty impacts the carrying value of financial investments, which is the largest asset class, however, a relatively small proportion is valued at 'level 3' of the fair value hierarchy (see note 2 and note 9).

Premiums written

Premiums written represent premiums on business incepting during the year, together with adjustments for premiums written in previous accounting periods. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportioned as appropriate.

Outward reinsurance premiums

Outward reinsurance premiums comprise the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premium ceded that is estimated to be earned in the following financial years.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the line of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Statistical techniques are used to assist in making these estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of future claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors of each syndicate's managing agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Additional information on insurance risk is included in note 3.

Discounted claims provisions

Where there is expected to be a lengthy period between the date of an incurred claim and the final settlement of the claim, the outstanding claims provisions are discounted to take account of the expected investment income receivable between claim event and settlement dates on the assets held to cover the provisions. This is only applicable to the syndicates that discount their claims provisions.

Unexpired risks provision

Such provisions are made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated at syndicate level by reference to lines of business that are managed together and may take into account relevant investment return.

Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies

The Council considers that the functional currency and the presentational currency of the Aggregate Accounts is sterling. In the context of the Aggregate Accounts, the Council views this to be the equivalent of a group which has different operating units with a mix of functional currencies.

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions, or the average rate may be used when this is a reasonable approximation.

2. Accounting policies continued

Foreign currencies continued

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain or loss is required to be recognised within other comprehensive income, and in the non-technical account where the gain or loss is required to be recognised within profit or loss.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and overseas deposits are stated at cost, less any provision for impairment.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account where the investments generating the return relate to insurance business.

Taxation

The Aggregate Accounts report the market's result before tax because it is the members rather than the syndicates that are responsible for tax payable on their syndicate results. No provision has therefore been made in the Aggregate Accounts for income tax payable by members. Any payments on account of members' tax liabilities made on their behalf by a syndicate during the year are included in the balance sheet within other debtors or other creditors.

Operating expenses

Operating expenses have been charged to the syndicates in accordance with the policies adopted by the managing agents.

Profit commission

Where profit commission is charged by the managing agent, it will normally be fully paid once the appropriate year of account closes, normally at 36 months. The profit commission is generally accrued in the profit and loss account in accordance with the earned profit.

Managing agents may make payments on account of their anticipated profit commission from the syndicate premiums trust funds prior to the closure of a year of account where they have transferred open year surpluses (interim profits) from the syndicate level premiums trust funds to the members' personal reserve fund. Any payments on account of such commission are restricted to the profit commission expensed in the profit and loss account in striking the level of interim profits declared and subsequently released.

Cash at bank and in hand

This includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within other creditors.

3. Risk management

Governance framework

The following governance structure relates to the Society as a whole, as the preparer of the Aggregate Accounts. Individual syndicates will report, in their syndicate annual accounts, the governance structure applied to them by their managing agents.

An Act of Parliament, the Lloyd's Act 1982, defines the governance structure and rules under which Lloyd's operates. Under the Act, the Council of Lloyd's is responsible for the management and supervision of the market. Lloyd's is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

The Council currently has three working, three external and nine nominated members. The working and external members are elected by Lloyd's members. The Chairman and Deputy Chairmen are elected annually by the Council from among its members. All members are approved by the PRA.

The Council is responsible for the day-to-day management of the Lloyd's market. It lays down guidelines for all syndicates and operates a business planning and monitoring process to safeguard high standards of underwriting and risk management, thereby improving sustainable profitability and enhancing the financial strength of the market.

The principal committees of the Council are the Nominations & Governance Committee, the Remuneration Committee, the Audit Committee, the Risk Committee; the other committees of the council include the Market Supervision and Review Committee, the Environmental, Social and Governance Committee, the Capacity Transfer Panel, the Investment Committee and the Technology & Transformation Committee.

3. Risk management continued

Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000. Within this supervisory framework, The Society applies capital requirements at member level and centrally to ensure that the Lloyd's market complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at an overall and member level only, not at a syndicate level. Accordingly, the capital requirements in respect of individual syndicates are not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The SCRs of each syndicate are subject to review by the Society and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a several basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR that reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, the Society applies a capital uplift to the member's capital requirement to determine the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% (2021: 35%) of the member's SCR 'to ultimate'.

Solvency Capital Requirement (Solvency II basis)

The SCR represents the amount of capital required to withstand a 1 in 200 year loss event over a one year horizon. Given Lloyd's unique structure the Lloyd's market-wide SCR (MWSCR) is calculated to cover all of the risks of 'the association of underwriters known as Lloyd's', ie those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one year time horizon as provided for in Solvency II legislation. All of the capital of the component parts of the market taken together are available to meet the MWSCR.

Individual syndicates are also required to calculate a SCR, at a 99.5% confidence level over a one year horizon, for each underwriting year; this drives the determination of member level SCRs. Each member's SCR is derived as the sum of the member's share of the syndicate's one year SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk.

The MWSCR is derived from the Lloyd's Internal Model (LIM), which has been approved by the PRA. Individual syndicates also derive SCRs from their own internal models that are subject to approval by the Society's Capital and Planning Group. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions, are assessed as part of the Society's oversight of the Lloyd's market.

The Lloyd's Internal Model

The LIM is a purpose-built model designed to calculate the MWSCR for Solvency as required under Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM), which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM), which models catastrophe risk using syndicates' views of risk; and the Capital Calculation Kernel (CCK), which is the main element of the LIM where all other risks are simulated and all risks are combined.

Syndicates calculate their own SCR. However, the market-wide capital requirements are derived from the Society's parameterisation at a whole market level to build a view of total market capital requirements from the ground up using market level assumptions. The LIM uses a methodology whereby losses from insurance and other risks are simulated by line of business, allocated to syndicates and through to members to assess the level of capital required by the market to meet 1 in 200 year losses over the one year time horizon.

Syndicates are the source of the majority of risks. They source all of the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity. The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on Premiums Trust Funds (PTF)); market risk on central assets, reinsurance and credit risk; and syndicate operational risk.

Details of the major risk components are set out below.

Insurance risk

The dominant category of risk faced by Lloyd's syndicates is insurance risk. This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In practice, insurance risk can be subdivided into:

(i) underwriting risk;
(ii) reserving risk;
(iii) credit risk; and
(iv) catastrophe risk.

3. Risk management continued

The Lloyd's Internal Model continued

Underwriting risk

This includes the risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected.

Underwriting strategy is agreed by the Board of each managing agent and set out in the syndicate business plan that is submitted to the Society for approval each year. Approval of business plans – and setting the capital requirements needed to support them – is the key control the Society uses to manage underwriting risk.

The Society reviews each syndicate business plan to ensure it meets Lloyd's standards and is consistent with the capabilities of the managing agent. Once a plan is agreed, the Society uses performance management data to identify whether each syndicate's business performance is progressing in line with the business plan or that variations are understood and accepted.

The managing agents' underwriting controls should ensure that underwriting is aligned with their strategy, agreed business plan and underwriting policy.

Managing agents are expected to have controls in place to ensure that regulatory requirements and the scope of Lloyd's market licences are clearly understood and that risks are written within those requirements.

Managing agents need to have clear processes for pricing business and an audit trail to show how pricing will deliver the projected results within the approved business plan and how pricing will be managed over the relevant underwriting cycle.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly from line to line of business but can arise from inadequate reserves for known or incurred but not reported (IBNR) claims. These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

Lloyd's current level of aggregate market reserves remains robust and the continued level of overall reserve releases are supported by underlying claims experience being more favourable than expected. This will not necessarily translate to all syndicates. There are currently few specific reserving issues and the main perceived risks relate to macro influences such as inflation or changes in legislation. The Society analyses reserve developments at line of business and syndicate levels quarterly; and briefs the market on issues it considers need to be taken into account.

Case-specific claim reserves should make financial provision at reported loss levels, without prejudice to coverage. Legal advisers', underwriters' and loss adjusters' judgement are used to set the estimated case reserves.

Reserving processes use a variety of statistical analyses such as projections of historical loss development patterns, with results adjusted for expert judgement. Lloyd's syndicates have significant exposure to volatile lines of business that carry material inherent risk that the ultimate claims settlement will vary from previous assessments of reserves.

Syndicates' reserves are annually subject to a formal independent actuarial opinion and are monitored by the Society. The actuarial opinions are covered by a combination of formal Actuarial Professional Standards and specific Lloyd's guidance and rules.

Credit risk

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. This can occur because the reinsurer is unable to settle its liabilities. Managing agents are expected to have a clear and comprehensive plan for the reinsurance of each syndicate. This takes into account risk appetite for retained insurance risk and the potential for the accumulation of risk.

The managing agent should monitor and assess the security of, and exposure to, each reinsurer and intermediary. Reinsurance credit risk is subject to quarterly review by Lloyd's.

Catastrophe risk

This is the risk of loss occurring across all lines of business from worldwide natural catastrophe events. Managing agents may use catastrophe modelling software, where appropriate, to monitor aggregate exposure to catastrophe losses. The Society has developed a suite of Realistic Disaster Scenarios to measure syndicate level and aggregate market exposure to both natural catastrophes and man-made losses. These are monitored frequently and syndicates supply projected probabilistic exceedance forecasts for Lloyd's key exposures with their capital and business plans. Further enhancements to the monitoring and oversight of aggregate market catastrophe risk exposure have been implemented within the approved model under Solvency II.

Solvency Capital Requirement coverage

Coverage of the MWSCR is an ongoing and continuous requirement and the Society reports the results of its solvency test – ie the amount of the MWSCR, eligible assets to cover it and the solvency ratio – on a quarterly basis to the PRA. In addition to the quarterly reporting to the PRA, internal risk appetites have been set to monitor the coverage of the MWSCR as part of the risk management framework in place at the Society of Lloyd's. During 2022, the solvency coverage ratio was in excess of the internal risk appetite of 125% and regulatory requirements.

The Society aims to hold market capital sufficient to provide financial security to policyholders and capital efficiency to members. Members are required to put up funds to meet their ECA, which is set as their SCR (on an ultimate view of risk) plus an uplift of 35%. The Society does not require excess capital to be held above this level and considers that the risk appetite of 125% of SCR gives an appropriate buffer following diversification benefits. In the event that the capital put up by a member falls below their ECA through losses incurred or an increase in their risk profile, additional funds must be deposited. If members do not recapitalise, their authority to continue to trade is restricted to the level of their available capital or ultimately fully withdrawn and they cease trading. Such action would then reduce their risk and the aggregate MWSCR.

Assets eligible for solvency

The assets of the syndicates contribute towards coverage of the MWSCR, after adjustments to value items in accordance with Solvency II valuation principles.

3. Risk management continued

Assets eligible for solvency continued

The eligibility of assets to cover the SCR under Solvency II is determined by a tiering test. Tier 1 assets are fully available to cover the SCR while Tier 2 and Tier 3 assets in aggregate can cover up to 50% of the SCR. The majority of the assets available to cover the MWSCR are Tier 1.

Claims development table

The tables below illustrate the development of the estimates of earned ultimate cumulative claims for syndicates in aggregate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Non-sterling balances have been converted using 2022 year end exchange rates to aid comparability. As these tables are on an underwriting year basis, there is an apparent jump from figures for the end of the underwriting year to one year later as a large proportion of premiums are earned in the year of account's second year of development.

Gross

Underwriting year	2012 and prior years £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**	Total £m
At end of underwriting year		7,572	7,786	7,511	9,178	18,030	14,474	10,981	13,124	15,972	16,389	
One year later		14,350	14,831	14,687	20,338	28,831	26,462	24,224	23,601	28,635	–	
Two years later		14,584	15,738	16,611	21,896	30,896	29,036	24,991	24,439	–	–	
Three years later		14,253	15,536	17,642	22,721	31,162	29,046	24,608	–	–	–	
Four years later		14,096	16,789	17,897	23,008	31,234	29,711	–	–	–	–	
Five years later		14,565	16,921	18,134	23,288	31,578	–	–	–	–	–	
Six years later		14,677	16,992	18,158	23,555	–	–	–	–	–	–	
Seven years later		14,619	16,911	18,243	–	–	–	–	–	–	–	
Eight years later		14,536	16,920	–	–	–	–	–	–	–	–	
Nine years later		14,446	–	–	–	–	–	–	–	–	–	
Cumulative payments		13,605	15,422	15,970	19,957	26,323	21,939	15,509	12,292	8,679	1,842	
Estimated balance to pay	4,903	841	1,498	2,273	3,598	5,255	7,772	9,099	12,147	19,956	14,547	81,889

Net

Underwriting year	2012 and prior years £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**	Total £m
At end of underwriting year		6,237	6,255	5,994	7,068	10,160	9,419	7,832	9,272	11,695	11,163	
One year later		11,741	11,964	12,321	15,165	17,814	17,532	17,066	16,445	20,104	–	
Two years later		11,926	12,456	13,065	16,116	19,289	19,123	17,183	16,780	–	–	
Three years later		11,529	12,387	13,577	16,588	19,533	19,008	16,470	–	–	–	
Four years later		11,413	12,772	13,562	16,511	19,363	18,984	–	–	–	–	
Five years later		11,562	12,729	13,622	16,555	19,258	–	–	–	–	–	
Six years later		11,516	12,773	13,545	16,634	–	–	–	–	–	–	
Seven years later		11,465	12,615	13,506	–	–	–	–	–	–	–	
Eight years later		11,390	12,569	–	–	–	–	–	–	–	–	
Nine years later		11,287	–	–	–	–	–	–	–	–	–	
Cumulative payments		10,810	11,691	12,168	14,636	16,234	14,716	10,871	8,935	6,896	1,489	
Estimated balance to pay	2,922	477	878	1,338	1,998	3,024	4,268	5,599	7,845	13,208	9,674	51,231

3. Risk management continued

Financial risk – credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations.

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. Syndicates are also exposed to credit risk in their premium debtors. Credit risk in respect of premium debt is controlled through broker approval and regular monitoring of premium settlement performance. Syndicates and members are exposed to credit risks in their investment portfolios. PRA and Lloyd's investment guidelines are designed to mitigate credit risk by ensuring diversification of holdings.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The table below shows the exposure to credit risk for the components of the balance sheet. The exposure is shown gross before the effect of mitigation through collateral agreements and the use of credit derivatives.

2022	**Neither past due nor impaired £m**	**Past due £m**	**Impaired £m**	**Total £m**
Debt securities	40,163	–	–	40,163
Participation in investment pools	536	–	–	536
Loans with credit institutions	113	–	–	113
Deposits with credit institutions	4,958	–	–	4,958
Derivative assets	91	–	–	91
Other investments	113	–	–	113
Deposits with ceding undertakings	1,099	–	–	1,099
Reinsurers' share of claims outstanding	30,664	–	(6)	30,658
Cash at bank and in hand	3,461	–	–	3,461
Total	**81,198**	**–**	**(6)**	**81,192**

2021 Restated	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Debt securities	33,235	–	–	33,235
Participation in investment pools	667	–	–	667
Loans with credit institutions	125	–	–	125
Deposits with credit institutions	1,194	–	–	1,194
Derivative assets	15	–	–	15
Other investments	113	–	–	113
Deposits with ceding undertakings	959	–	–	959
Reinsurers' share of claims outstanding	25,172	–	(6)	25,166
Cash at bank and in hand	2,981	–	–	2,981
Total	64,461	–	(6)	64,455

In aggregate, syndicates have no financial assets that would be past due or impaired whose terms have been renegotiated.

In aggregate, syndicates held no material debt and fixed income assets that were past due or impaired beyond their reported fair values, either for the current period under review or on a cumulative basis. For the current period and prior period, syndicates, in aggregate, did not experience any material defaults on debt securities.

Assets held as collateral comprise cash and debt securities, received as collateral against reinsurance assets transferred from syndicate reinsurers.

3. Risk management continued

Financial risk – credit risk continued

The table below provides information regarding the credit risk exposure at 31 December 2022 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as other. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. This table is the sum of assets neither past due nor impaired.

2022	**Rated AAA £m**	**Rated AA £m**	**Rated A £m**	**Rated BBB £m**	**Other £m**	**Total £m**
Debt securities	13,913	11,143	10,204	4,133	770	40,163
Participation in investment pools	157	163	96	21	99	536
Loans with credit institutions	8	44	10	–	51	113
Deposits with credit institutions	2,168	766	821	333	870	4,958
Derivative assets	–	–	5	–	86	91
Other investments	2	3	2	–	106	113
Deposits with ceding undertakings	12	128	817	–	142	1,099
Reinsurers' share of claims outstanding	501	8,905	18,826	337	2,095	30,664
Cash at bank and in hand	237	313	2,814	45	52	3,461
Total credit risk	**16,998**	**21,465**	**33,595**	**4,869**	**4,271**	**81,198**

2021 Restated	Rated AAA £m	Rated AA £m	Rated A £m	Rated BBB £m	Other £m	Total £m
Debt securities	11,222	9,272	8,415	3,719	607	33,235
Participation in investment pools	161	175	92	29	210	667
Loans with credit institutions	19	45	17	–	44	125
Deposits with credit institutions	304	81	454	48	307	1,194
Derivative assets	–	1	2	–	12	15
Other investments	3	3	2	–	105	113
Deposits with ceding undertakings	17	3	847	5	87	959
Reinsurers' share of claims outstanding	293	6,677	16,105	145	1,952	25,172
Cash at bank and in hand	163	298	2,418	47	55	2,981
Total credit risk	12,182	16,555	28,352	3,993	3,379	64,461

3. Risk management continued

Financial risk – liquidity risk

Liquidity risk arises where a syndicate has insufficient funds to meet its liabilities, particularly claims. Managing agents are expected to manage the cash needs of their syndicates on an ongoing basis and to avoid becoming forced sellers of assets. Generally, syndicates have a high concentration of liquid assets, namely cash and government securities.

The Society centrally monitors syndicate liquidity and conducts stress tests to monitor the impact on liquidity of significant claims events.

The table below summarises the maturity profile of the financial liabilities for the market.

2022	**No stated maturity £m**	**0-1yr £m**	**1-3yrs £m**	**3-5yrs £m**	**>5yrs £m**	**Total £m**
Claims outstanding	–	27,326	29,077	12,504	12,982	81,889
Derivatives	–	25	–	–	–	25
Deposits received from reinsurers	377	282	382	147	357	1,545
Creditors	1,103	11,802	1,600	171	313	14,989
Other liabilities	164	167	5	1	–	337
Total	**1,644**	**39,602**	**31,064**	**12,823**	**13,652**	**98,785**

2021 Restated	No stated maturity £m	0-1yr £m	1-3yrs £m	3-5yrs £m	>5yrs £m	Total £m
Claims outstanding	–	22,658	24,272	10,401	11,136	68,467
Derivatives	–	23	–	–	–	23
Deposits received from reinsurers	456	433	348	165	332	1,734
Creditors	796	9,692	1420	221	52	12,181
Other liabilities	4	123	1	–	–	128
Total	1,256	32,929	26,041	10,787	11,520	82,533

Financial risk – market risk – overview

Market risk is the risk of loss, or of adverse change in financial situation resulting from fluctuations in the level of the market prices of assets and liabilities arising from exposure to economic variables and market forces such as inflation, interest rates and rates of foreign exchange.

Syndicate assets are held in premium trust funds and are subject to the asset rules contained in the PRA's handbook and must comply with Lloyd's Membership & Underwriting Requirements. Managing agents manage asset risk through their investment strategy.

Oversight of market risk includes the monitoring of Investment Management Minimum Standards. Lloyd's Society monitors assets across the full chain of security to ensure the asset disposition of the market and Society remains appropriate, closely monitoring global economic and market trends.

The potential financial impact of changes in market value is additionally monitored through the capital setting process, and the asset mix must be reported to the Society on a quarterly basis, including credit rating analysis of fixed income portfolios.

Market risk comprises three types of risk:

(a) currency risk;
(b) interest rate risk; and
(c) equity price risk.

3. Risk management continued

Financial risk – currency risk

Managing agents must identify the main currencies in which each syndicate transacts its business. For the market overall, the US dollar is the largest currency exposure. Assets are then held in each of those currencies to match the relevant liabilities. Managing agents must ensure that assets match liabilities and take corrective action where a mismatch arises. The Society also reviews the matching of assets to liabilities at the syndicate level as well as at the market level. In addition, many members seek to match their capital disposition by currency against their peak exposures. At 31 December 2022, 70% (2021: 68%) of all assets deployed at the market level were provided in US dollars.

The profile of the aggregate of syndicate assets and liabilities, categorised by currency at their translated carrying amounts was as follows:

2022	**Sterling £m**	**US dollar £m**	**Euro £m**	**Canadian dollar £m**	**Australian dollar £m**	**Other £m**	**Total £m**
Financial investments	6,766	33,933	2,218	6,516	534	381	50,348
Reinsurers' share of technical provisions	4,706	27,858	1,483	1,277	517	60	35,901
Insurance and reinsurance receivables	3,087	18,826	915	847	643	351	24,669
Cash at bank and in hand	784	1,674	424	118	258	203	3,461
Other assets	2,155	5,755	628	1,275	1,619	548	11,980
Total assets	**17,498**	**88,046**	**5,668**	**10,033**	**3,571**	**1,543**	**126,359**
Technical provisions	(16,351)	(73,528)	(5,991)	(6,183)	(2,708)	(752)	(105,513)
Insurance and reinsurance payables	(1,354)	(9,630)	(508)	(468)	(248)	(75)	(12,283)
Other creditors	(1,328)	(3,469)	(250)	(336)	(70)	(97)	(5,550)
Total liabilities	**(19,033)**	**(86,627)**	**(6,749)**	**(6,987)**	**(3,026)**	**(924)**	**(123,346)**
Total capital and reserves	**(1,535)**	**1,419**	**(1,081)**	**3,046**	**545**	**619**	**3,013**

2021 (Restated)	Sterling £m	US dollar £m	Euro £m	Canadian dollar £m	Australian dollar £m	Other £m	Total £m
Financial investments	6,005	27,674	1,942	5,703	355	375	42,054
Reinsurers' share of technical provisions	4,683	21,861	1,356	1,107	468	77	29,552
Insurance and reinsurance receivables	3,119	14,735	935	625	519	273	20,206
Cash at bank and in hand	659	1,376	377	131	284	154	2,981
Other assets	1,408	5,366	537	1,090	1,368	522	10,291
Total assets	15,874	71,012	5,147	8,656	2,994	1,401	105,084
Technical provisions	(15,650)	(58,246)	(5,545)	(5,271)	(2,345)	(783)	(87,840)
Insurance and reinsurance payables	(1,274)	(7,382)	(395)	(392)	(195)	(67)	(9,705)
Other creditors	(1,252)	(3,394)	(191)	(272)	(74)	(79)	(5,262)
Total liabilities	(18,176)	(69,022)	(6,131)	(5,935)	(2,614)	(929)	(102,807)
Total capital and reserves	(2,302)	1,990	(984)	2,721	380	472	2,277

3. Risk management continued

Sensitivity analysis

A 10% strengthening or weakening of sterling against the following currencies at 31 December would have increased/(decreased) the result before tax and members' balances for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2022	**Impact on result before tax £m**	**Impact on members' balances £m**
Strengthening of US dollar	184	184
Weakening of US dollar	(150)	(150)
Strengthening of euro	(120)	(120)
Weakening of euro	98	98

2021	Impact on result before tax £m	Impact on members' balances £m
Strengthening of US dollar	240	240
Weakening of US dollar	(196)	(196)
Strengthening of euro	(109)	(109)
Weakening of euro	89	89

Financial risk – interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates. Lloyd's syndicates operate a generally conservative investment strategy with material cash and short-dated bonds portfolios, which reduces the interest rate risk exposure.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the result before tax and equity of the effects of changes in interest rates.

2022	**Impact on result before tax £m**	**Impact on members' balances £m**
+ 50 basis points	(533)	(533)
– 50 basis points	529	529

2021	Impact on result before tax £m	Impact on members' balances £m
+ 50 basis points	(460)	(460)
– 50 basis points	454	454

3. Risk management continued

Financial risk – equity price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Syndicates' equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

Syndicates manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market.

For syndicates, in aggregate there is no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the result before tax due to changes in fair value of financial assets and liabilities whose fair values are recorded in the profit and loss account) and members' balances that reflects adjustments to the result before tax and changes in fair value of available for sale financial assets that are equity instruments).

2022	**Impact on result before tax £m**	**Impact on members' balances £m**
5% increase in equity markets	128	128
5% decrease in equity markets	(128)	(128)

2021	Impact on result before tax £m	Impact on members' balances £m
5% increase in equity markets	99	99
5% decrease in equity markets	(99)	(99)

Concentration risk

The Society closely monitors concentrations of risk across the market and tests risk exposure against clearly defined risk appetites as established by the Board. Specialist supervisory teams across the Society monitor concentrations across the following areas: region perils, line of business, geographical location, method of distribution in insurance and investment counterparties, among others.

While syndicates define the type of business that they write, at the market level the Society seeks to avoid an inappropriate concentration of premium sources, monitoring concentration of business in poorly performing lines, material sources of premium by method of placement as well as coverholder concentration, which feature in metrics reported quarterly to the Board. Managing agents controlling more than 10% of overall market gross written premium are also subject to Council review. Any reported metrics outside of appetite are reported to and discussed by the Risk Committee and Council. Specific and targeted actions can then be agreed, which will be discussed with specific managing agents or the market as a whole, as appropriate. These actions can vary considerably depending on the nature of the risk or the line of business impacted, with different levels of the requirements placed on syndicates, which forms part of the Society's oversight role of the market.

Further analysis of premiums, claims, expenses and underwriting result by line of business is included within note 4.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. Managing agents monitor regulatory development to ensure ongoing compliance and any impact on claims reserves. Additionally, given current developments in the global regulatory landscape, the Society closely monitors changes that may adversely impact the global licence network. Lloyd's is actively working with the market to assist and adapt to the changes in the UK regulatory architecture, in particular the increased focus on conduct risk by the FCA; managing agents are now expected to comply with the Lloyd's Conduct Minimum Standards. Similarly, the Society monitors global political trends and is taking action at both a Society and market level in response to a growing geopolitical risk facing companies operating around the world.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Managing agents manage these risks through internal compliance monitoring and the use of detailed procedure manuals. The Society sets minimum standards to be applied by agents and monitors to ensure these are met.

3. Risk management continued

Group risk

Group risk is the risk of loss resulting from risk events arising within a related entity. While Lloyd's is not a group, the Society monitors potential risks that could impact Lloyd's, for example arising from the activities of a parent company of a syndicate or managing agent.

While, by its nature, group risk is difficult to control, the Society mitigates the potential impact of group risk through the implementation of controls, including Lloyd's minimum standards, mitigating any material impairment to Lloyd's brand, reputation or strategic priorities.

4. Segmental analysis

The following segmental analysis is derived from the equivalent notes in the syndicate annual accounts. The syndicate annual accounts report the material direct lines of business and aggregates all other lines as 'other'. Consequently, aggregation of those figures is not meaningful. Syndicates have provided returns to Lloyd's, including segmental analysis and syndicate auditors have given audited opinions confirming that those returns have been prepared in accordance with instructions issued by Lloyd's and that they are consistent with the syndicate annual accounts. Those figures have been aggregated to provide the following tables:

2022	**Gross written premiums £m**	**Gross premiums earned £m**	**Gross claims incurred £m**	**Operating expenses £m**	**Reinsurance balance £m**	**Underwriting result £m**
Accident and health	948	910	(484)	(357)	2	71
Motor (third-party liability)	205	162	(92)	(28)	(21)	21
Motor (other lines)	761	729	(386)	(203)	(98)	42
Marine, aviation and transport	5,469	5,055	(3,662)	(1,412)	398	379
Fire and other damage to property	10,750	10,053	(6,238)	(2,779)	(574)	462
Third-party liability	12,526	11,582	(7,687)	(2,940)	(488)	467
Pecuniary loss	1,512	1,428	(844)	(411)	(100)	73
Life	57	55	(39)	(16)	(2)	(2)
Other	20	15	(5)	(9)	1	2
Total direct insurance	32,248	29,989	(19,437)	(8,155)	(882)	1,515
Reinsurance acceptances	16,376	16,107	(11,278)	(3,498)	(695)	636
Total from syndicate operations	**48,624**	**46,096**	**(30,715)**	**(11,653)**	**(1,577)**	**2,151**
Allocated investment return transferred from the non-technical account						(1,429)
Balance on the technical account for general business						**722**

2021 Restated	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Operating expenses £m	Reinsurance balance £m	Underwriting result £m
Accident and health	768	749	(374)	(295)	(39)	41
Motor (third-party liability)	118	116	(69)	(22)	(13)	12
Motor (other lines)	597	611	(374)	(203)	(11)	23
Marine, aviation and transport	4,244	4,024	(2,162)	(1,164)	(234)	464
Fire and other damage to property	8,391	8,098	(4,501)	(2,403)	(696)	498
Third-party liability	10,028	8,987	(6,158)	(2,457)	(443)	(71)
Pecuniary loss	1,245	1,175	(605)	(361)	(95)	114
Life	48	48	(13)	(16)	(6)	13
Other	15	15	(5)	(10)	–	–
Total direct insurance	25,454	23,823	(14,261)	(6,931)	(1,537)	1,094
Reinsurance acceptances	15,425	14,776	(10,223)	(2,970)	(1,085)	498
Total from syndicate operations	40,879	38,599	(24,484)	(9,901)	(2,622)	1,592
Allocated investment return transferred from the non-technical account						68
Balance on the technical account for general business						1,660

4. Segmental analysis continued

The syndicate returns to the Society provide additional information in respect of the lines of business which has been used to reconcile the balance on the technical account for general business to the additional analysis and market commentary disclosed in the 2022 Lloyd's Annual Report (pages 25 to 30). This reconciliation is disclosed in note 9 to the Pro Forma Financial Statements in the 2022 Lloyd's Annual Report (page 56).

The geographical analysis of gross direct insurance premiums by location of where contracts were concluded is as follows:

	2022 £m	2021 (Restated) £m
United Kingdom	31,232	24,836
EU member states	4	2
Rest of the World	1,012	616
Total	**32,248**	25,454

The comparative figure has been restated to report the Aggregate Accounts direct premiums, rather than the direct premiums as reported in the Pro Forma Financial Statements previously disclosed. For 2021, this has resulted in an increase of £575m in total direct premiums included in the geographical analysis.

5. Life business

The Aggregate Accounts include the results of all life and non-life syndicates transacting business during 2022. The results and net assets for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 4).

6. Prior year development

The aggregate of the prior year surpluses/deficiencies is a surplus of £484m (2021: surplus of £552m). The surplus arises across all lines of business, except for the casualty line of business, reflecting favourable claims development compared with projections.

7. Net operating expenses

	2022 £m	Restated 2021 £m
Acquisition costs	10,639	8,911
Change in deferred acquisition costs	(485)	(377)
Administrative expenses	3,082	2,663
Reinsurance commissions and profit participations	(1,562)	(1,270)
Total	**11,674**	9,927

Total commissions for direct insurance accounted for in the year amounted to £6,924m (2021: £5,650m).

Schedule 2 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, requires the disclosure of the remuneration receivable by the auditor of the Aggregate Accounts. This remuneration is not reflected in the profit and loss account of these Aggregate Accounts, all these amounts are borne by the Society of Lloyd's and its subsidiaries and are reported in the Society's accounts.

The proportion of remuneration payable by the Society to its auditors in respect of the audit of the Aggregate Accounts is set out below:

	2022 £000	2021 £000
Audit-related assurance services in respect of the Aggregate Accounts	130	126
Total	**130**	126

8. Investment return

	2022 £m	2021 (Restated) £m
Income from financial instruments designated as at fair value through profit or loss	740	577
Income from available for sale investments	62	30
Dividend income	14	22
Interest on cash at bank	97	26
Other interest and similar income	23	12
Total investment income	**936**	667
Investment expenses	(61)	(53)
Realised losses on investments	(383)	(79)
Other relevant losses	(9)	(3)
Total investment expenses	**(453)**	(135)
Unrealised losses on investments	(2,078)	(399)
Total investment return	**(1,595)**	133

9. Financial investments

	2022 £m	2021 £m
Shares and other variable yield securities	7,962	6,705
Debt securities and other fixed-income securities	40,163	33,235
Participation in investment pools	536	667
Loans and deposits with credit institutions	1,483	1,319
Other investments	204	128
Total	**50,348**	42,054

Disclosures of fair values in accordance with the fair value hierarchy

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy includes the following classifications:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices;
- Level 2 – inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset, either directly (ie. as prices) or indirectly (derived from prices); and
- Level 3 – inputs to a valuation model for the asset that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

9. Financial investments continued

Disclosures of fair values in accordance with the fair value hierarchy continued

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is categorised at Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

2022	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Sub-total fair value £m**	**Assets held at amortised cost £m**	**Total £m**
Shares and other variable yield securities	2,305	3,954	1,702	7,961	1	7,962
Debt and other fixed income securities	12,522	27,631	10	40,163	–	40,163
Participation in investment pools	241	294	1	536	–	536
Loans and deposits with credit institutions	586	812	85	1,483	–	1,483
Other investments	16	73	115	204	–	204
Total investments	**15,670**	**32,764**	**1,913**	**50,347**	**1**	**50,348**
Derivative liabilities	(17)	(7)	(1)	(25)	–	(25)
Total liabilities	**(17)**	**(7)**	**(1)**	**(25)**	**–**	**(25)**

2021	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Assets held at amortised cost £m	Total £m
Shares and other variable yield securities	1,955	3,162	1,587	6,704	1	6,705
Debt and other fixed income securities	9,809	23,415	11	33,235	–	33,235
Participation in investment pools	382	284	1	667	–	667
Loans and deposits with credit institutions	549	700	70	1,319	–	1,319
Other investments	10	9	109	128	–	128
Total investments	12,705	27,570	1,778	42,053	1	42,054
Derivative liabilities	(5)	(15)	(3)	(23)	–	(23)
Total liabilities	(5)	(15)	(3)	(23)	–	(23)

10. Debtors arising out of direct insurance operations

	2022 £m	2021 (Restated) £m
Due within one year	12,422	10,335
Due after one year	181	162
Total	**12,603**	10,497

11. Debtors arising out of reinsurance operations

	2022 £m	2021 (Restated) £m
Due within one year	11,133	8,939
Due after one year	933	770
Total	**12,066**	9,709

12. Technical provisions and deferred acquisition costs

a) Provisions for unearned premiums

2022	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	19,373	4,386	14,987
Premiums written in the year	48,624	13,185	35,439
Premiums earned in the year	(46,096)	(12,777)	(33,319)
Exchange/other movements	1,723	449	1,274
At 31 December	**23,624**	**5,243**	**18,381**

2021	Gross £m	Reinsurers' share (Restated) £m	Net (Restated) £m
At 1 January	17,029	3,874	13,155
Premiums written in the year	40,879	11,567	29,312
Premiums earned in the year	(38,599)	(11,102)	(27,497)
Exchange/other movements	64	47	17
At 31 December	19,373	4,386	14,987

b) Deferred acquisition costs

	2022 £m	2021 (Restated) £m
At 1 January	4,564	4,148
Change in deferred acquisition costs	485	377
Exchange movements	380	31
Other	9	8
At 31 December	**5,438**	4,564

12. Technical provisions and deferred acquisition costs continued

c) Claims outstanding

2022	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	68,467	25,166	43,301
Claims paid during the year	(22,005)	(7,770)	(14,235)
Claims incurred during the year	30,715	11,199	19,516
Exchange movements	5,763	2,211	3,552
Other	(1,051)	(148)	(903)
At 31 December	**81,889**	**30,658**	**51,231**

2021 (Restated)	Gross £m	Reinsurers' share £m	Net £m
At 1 January	65,250	22,337	42,913
Claims paid during the year	(20,423)	(7,161)	(13,262)
Claims incurred during the year	24,484	8,480	16,004
Exchange movements	249	138	111
Other	(1,093)	1,372	(2,465)
At 31 December	68,467	25,166	43,301

13. Discounted claims

Discounting may be applied to claims provisions where there are individual claims with structured settlements that have annuity-like characteristics or for books of business with mean term payment greater than four years. Certain syndicates have elected to discount their claims provisions.

The claims have been discounted as follows:

	Average discounted rates		Average mean term of liabilities	
Line of business	**2022 %**	2021 %	**2022 years**	2021 years
Motor (third-party liability)	2.71	2.17	21.30	26.70
Motor (other lines)	3.00	3.00	4.63	4.57
Third-party liability	3.76	3.03	22.73	23.73

The period that will elapse before claims are settled is determined using impaired life mortality rates.

The claims provisions before discounting are as follows:

	Before discounting		Effect of discounting		Discounted provision	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Total claims provisions	1,649	1,347	(480)	(307)	1,169	1,040
Reinsurers' share of total claims	857	817	(256)	(189)	601	628

14. Creditors arising out of direct insurance operations

	2022 £m	2021 (Restated) £m
Due within one year	989	813
Due after one year	27	4
Total	**1,016**	817

15. Creditors arising out of reinsurance operations

	2022 £m	2021 (Restated) £m
Due within one year	9,273	7,601
Due after one year	1,994	1,287
Total	**11,267**	8,888

16. Note to the statement of cash flows

	2022 £m	2021 £m
Cash at bank and in hand	3,461	2,981
Short-term deposits with credit institutions	1,788	1,758
Overdrafts	(296)	(298)
Total	**4,953**	4,441

Of the cash and cash equivalents, £344m (2021: £368m) is held in regulated bank accounts in overseas jurisdictions and is not available for immediate use other than to pay claims in those jurisdictions.

17. Related party transactions

The annual accounts of each syndicate provide, where appropriate, the required disclosures on related parties. Syndicate level disclosures are specific to that syndicate and its managing agent. For 2022, there were no material related party transactions conducted outside normal market conditions reported in the syndicate annual accounts requiring disclosure in the Aggregate Accounts.

18. Off-balance sheet arrangements

Schedule 3 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, requires the disclosure of off-balance sheet arrangements where they have been disclosed in the syndicate annual accounts and where the information is necessary for enabling the financial position of the Lloyd's market to be assessed. No such off-balance sheet arrangements were reported in the 2022 syndicate annual accounts.

19. Members' funds at Lloyd's

Every member is required to hold capital at Lloyd's to support their underwriting, which until mid-2007 was all held in trust as members' funds at Lloyd's (FAL). In 2007, a rule change permitted any members that only participate on one syndicate to hold the capital supporting their underwriting in their syndicate's premium trust funds. These funds are known as funds in syndicate (FIS). At 31 December 2022, there was £3,473m (2021: £3,797m) of FIS within members' balances. Capital held in the syndicate premium trust funds is not reported as FAL.

The level of FAL/capital that Lloyd's requires a member to maintain is determined in accordance with Lloyd's capital setting framework. FAL are not dedicated to any specific syndicate year of account participation for any member and are not therefore reported in the Aggregate Accounts.

20. Events after the reporting period

Following the recent banking events – including the failure of Silicon Valley Bank, Signature Bank and First Republic, and the sale of Credit Suisse to UBS – the current conditions of the banking sector and impact on the assets of the market and the Society have been considered.

At 31 December 2022, the total Lloyd's market portfolio is not materially exposed to US regional banks and has very limited exposure to AT1 loans. The exposure to the wider banking sector is diversified and includes globally systemically important banks.

The Central Fund has no exposure to US regional banks and AT1 loans.

Management will continue to monitor the situation.

lloyds.com/aggregateaccounts2022